



Department of State

EXCISE

EXCISE

TELEGRAM

SECRET 052

Per 6/16/81
XRP 6/16/81 X4 L. 6/16/81

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53:
ACTION: E-15

INFO: OCT-01 AF-12 EUR-20 CIAE-00 DODE-00 PM-05 H-02 INR-08
L-04 NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-20 USIA-12
AID-28 COM-08 FRB-02 TRSE-00 XMB-06 OPIC-12 TRSY-11
CEA-02 STR-08 OEP-01 JUS-02 CIEP-01 RSR-01 / 196 W
019208

PI 271500Z MAR 71
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 7573
INFO AMEMBASSY BENGHAZI PRIORITY
AMEMBASSY LONDON

S: EICR EIT TRIPOLI 637

SUBJ: LIBYAN OIL NEGOTIATIONS

REF: TRIPOLI 624 LONDON 2694 STATE 51158

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY CJ DATE 6/22/81

PORTIONS DENIED AS INDICATED

1. AS ADDRESSEES NOW AWARE, TRIPOLI TEAM AND OTHER COMPANY REPS WERE CALLED BACK FROM AIRPORT AFTERNOON MAR 25 FOR BRIEFING BY OCCIDENTAL

AFTER CAUCUSING, TEAM MEMBERS DECIDED TO DEPART LATE MAR 25 FOR POLICY MEETING AT LONDON. TO RETURN LATER TODAY (MAR 27) TO CONTACT MABRUK AND, POSSIBLE, TO MEET WITH JALLUD TOMORROW. HOWEVER, ESSO SAYS PIERCY, AND POSSIBLY REST OF TEAM, ALSO MAY RETURN TONIGHT. MEANWHILE, SHELL'S CARLISLE HAS REMAINED BEHIND TO REPRESENT INDUSTRY TEAM.

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[REDACTED]

3. FOR PAST SEVERAL DAYS THERE HAS BEEN WIDE SPREAD SPECULATION THAT LARG WOULD CEASE TRYING TO WRING ONE MORE DROP FROM COMPANIES IN TIME FOR QADHAFI TO ANNOUNCE SIGNATURE OF NEW OIL AGREEMENTS DURING HIS BRITISH EVACUATION DAY SPEECH AT TOBRUK MAR 28. WHILE STILL POSSIBLE, PROSPECTS FOR THIS HAPPENING ARE RECEDING. COMPANIES HAVE AT LEAST TWO THEORIES TO EXPLAIN FAILURE TO SIGN AGREE-

MENT, WHICH HAS BEEN VIRTUALLY READY FOR SIGNATURE FOR PAST WEEK. THESE ARE: A) [REDACTED] RCC, IN ALMOST DESULTORY EFFORT TO OBTAIN ONE LAST IMPORTANT CONCESSION, IS TRYING TO ELIMINATE FIVE-YEAR COMMITMENT. OBJECTIONS ON SULFUR AND RETROACTIVITY ARE MAINLY WINDOW DRESSING. RCC DOES NOT, HOWEVER, WANT TO RISK UNDOING DRAFT AGREEMENT AND WILL SIGN IF COMPANIES ARE FIRM. B) [REDACTED] RCC IS UP TO NO GOOD AND MAY BE PLANNING TO LEGISLATE PRICE AND OTHER FINANCIAL TERMS AGREED UPON BY COMPANIES WHILE OMITTING ACCOMPANYING LARG COMMITMENT TO QUIT CLAIM AND FIVE-YEAR TERM. TO THESE SPECULATIONS [REDACTED] ADDS THOUGHT THAT LARG MAY INTEND TO STRETCH TALKS BEYOND APRIL 30 PAYMENT DATE FOR ONE-HALF OF 1970 INCOME TAX STILL DUE FROM COMPANIES - AND THEN TAKE UNILATERAL ACTION, PERHAPS INCLUDING PARTIAL NATIONALIZATION MEASURES. B4 B4 B1

4. COMMENT: ALL OF ABOVE POSSIBILITIES ARE PLAUSIBLE AT THIS MOMENT AND HAVE OCCURRED TO US AS WELL. FACT IS HOWEVER THAT IF ANYONE KNOWS WHAT LARG'S OBJECTIVES AND INTENTIONS ARE, IT IS ONLY RCC. WE STILL BELIEVE A GOOD BET IS THAT OUTLINED TRIPOLI 624, I.E., LARG IS STALLING IN EVENT WAY CAN BE FOUND TO GET MORE ADVANTAGES FOR LIBYA FROM TERMS OFFERED OTHER MEDITERRANEAN PRODUCERS OR TO UNDO COMPANIES' INSISTENCE UPON FIVE-YEAR AGREEMENT - THEREBY STRIKING AT BASIS OF TEHRAN SETTLEMENT.

5. WE BELIEVE THAT BEST HOPE TO KEEP ENTIRE STRUCTURE OF NEW TERMS FOR OIL TRADE, LABORIOUSLY CONSTRUCTED SINCE JANUARY, FROM CRUMB- LING BECAUSE OF MISSING LIBYAN KEYSTONE IS FOR COMPANIES NOW TO STAND FIRM ON TERMS OFFERED FOR SETTLEMENT IN MEDITERRANEAN AND SEEK TO OBTAIN SAUDI AND IRAQI AGREEMENT TO THESE TERMS AS QUICKLY AS POSSIBLE.

GP-2.

PALMER

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